



Standards and Enforcement Services Division  
(512) 936-3001

### **COMMONLY ENCOUNTERED USPAP VIOLATIONS**

- I. Overview:** The following list of USPAP violations are those most commonly encountered by the Board's staff appraiser-investigators when investigating complaints filed with the Board. This list is given for informational purposes only and does not constitute legal advice or instructions on how to properly comply with USPAP or properly complete an appraisal assignment.
- II. Most Commonly Encountered USPAP Violations:**
- A. Sales Comparison Selection of Comparable Properties.** Failing to select and/or support the selection of comparable sales using recognized methods and techniques. Examples include:
    - 1. Leaving the subject's neighborhood when sales data is readily available in the immediate neighborhood;
    - 2. Searching by price;
    - 3. Utilizing sales of superior quality, superior site characteristics, and/or superior amenities when more similar sales to the subject were readily available; and
    - 4. Lack of documentation in the workfile for the comparable sales and search criteria selected.
  - B. Market Analysis.** Providing a market analysis of sufficient depth to be credible for the intended use. Examples include:
    - 1. Delineation of neighborhood boundaries;
    - 2. Not identifying the relevant characteristics criteria of the neighborhood; and
    - 3. Failing to identify market trends, including the analysis of and the effect, if any, of bank owned ("REO") properties and/or the analysis of current listings in the neighborhood.
  - C. Sales History.** Failing to report and analyze all agreements of sale, options and listings, current as of the appraisal's effective date, or the sales history of the subject property for three years prior to the effective date. Commonly found violations also include failure to report and analyze prior listings of the subject when the listings would have a significant effect on the credibility of the assignment results and the failure to reconcile this data with other data in the report.
  - D. Sales Comparison Adjustments.** Failure to support adjustments in the sales comparison approach in a market value appraisal based on recognized methods and techniques. Examples include:
    - 1. Developing paired sales analysis but not documenting in the appraisal report and/or workfile;
    - 2. Utilizing "rules of thumb" adjustments without documenting market-based support; and
    - 3. Misrepresenting in the report that a method and technique was utilized when in fact it was not.
  - E. Cost Approach.** Failure to develop and/or support cost new, estimate of site value, and the estimate of accrued depreciation. Examples include:
    - 1. Stating that certain methods or techniques were relied upon but they were not actually performed;
    - 2. Reliance on County Appraisal District estimates of site value without a proper basis; and
    - 3. Unsupported estimates of effective age and/or economic life.



- F. Certification Misrepresentations.** Failing to comply with the representations made in the certifications signed and included in the appraisal report. Examples include:
1. Stating in the certification that you inspected the subject property when in fact you had not; and
  2. Failing to identify persons that contributed significant assistance to the appraisal report.
- G. Boilerplate Language.** Failing to edit canned statements or boilerplate to avoid conflicting, inappropriate, and/or incorrect statements so as to produce a misleading appraisal report. An example includes making statements not applicable to the appraisal.
- H. Site Analysis.** Failing to identify, analyze, and/or report the relevant characteristics of the site and improvements of the subject property in sufficient detail. Examples include:
1. Failing to report and describe the specific and accurate zoning for the subject property;
  2. Failing to accurately calculate the subject's gross living area (GLA) of the main dwelling and/or not misrepresenting the GLA by including the area of auxiliary living units, enclosed patios, and/or converted garages;
  3. Failing to report and analyze easements on the property; and
  4. Failing to report and analyze the existence of detrimental site conditions on adjacent properties.
- I. Highest and Best Use.** Failing to provide an adequate analysis, rational and/or support of the appraiser's opinion of highest and best use.
- J. Communication of Assignment Results.** Failure to communicate the assignment results in sufficient detail to enable the intended users to understand the appraisal report properly. Examples include:
1. Failing to adequately describe remodeling or repairs to the subject property;
  2. Failing to report and describe additional features of the property such as a swimming pool and/or barns; and
  3. Failing to reconcile the quality and quantity of data available and analyzed within the approaches, and failing to reconcile the relevance of the approaches, methods and techniques used to develop an opinion of value.
- K. Workfile.** Failing to maintain a workfile containing all data, information and documentation necessary to support the appraiser's opinions and conclusions and demonstrate compliance with USPAP. Examples include:
1. Failure to make retrieval arrangements with another party if the appraiser does not have custody of the workfile; and
  2. Failure to make a workfile available when required by a state regulatory agency.
- L. Scope of Work.** Failing to develop, apply, and/or disclose a credible scope of work (including extraordinary assumptions and/or hypothetical conditions). Examples include:
1. Not disclosing the scope of work actually performed; and
  2. Not stating the extraordinary assumptions and/or hypothetical conditions relied on in the assignment.